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01 APPEARANCES:

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02 Chairman:

Robert H. Tourtelot

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03 Member:

William A. Bianco

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04 Member:

Sheryl L. Granzella

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05 Member:

John C. Harris

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06 Member:

Alan W. Landsburg

06

07 Member:

Roger H. Licht

07

08 Member:

Marie G. Moretti

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09 Executive Director:

Roy C. Wood, Jr.

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10 Deputy Attorney General:

Thomas A. Blake

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I N D E X

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01 Del Mar, California, Thursday, July 19, 2001
02 10:05 a.m.
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05 MR. WOOD: Good morning ladies and gentlemen. Will the
06 meeting please come to order. This is the regular meeting of
07 the California Horse Racing Board being conducted on Thursday,
08 July 19, 2001, at the Del Mar Satellite Wagering Facility in
09 Del Mar, California.

10 Present at today's meeting are: Chairman
11 Robert Tourtelot, Commissioner William A. Bianco, Commissioner
12 Sheryl Granzella, Commissioner John Harris, Commissioner
13 Alan Landsburg, Commissioner Roger Licht, and Commissioner
14 Marie Moretti.

15 If you have any business to conduct in front of
16 this meeting today please give the court reporter your name
17 and a business card if you have a business card. With that
18 the meeting is now in order. And I'll turn it over to our
19 chairman, Robert Tourtelot.

20 Mr. TOURTELOT: Good morning and welcome to the July
21 monthly meeting of the California Horse Racing Board. Before
22 we start on the agenda, there's two items: I want to on
23 behalf of the Board thank Joe Harper (phonetic) and Del Mar
24 for allowing us to use their facilities, and also for a great
25 opening day yesterday; and secondly I wanted to recognize
26 Lonnie Powell (phonetic), who is here with us somewhere. And
27 Lonnie is going to be leaving for Lexington, Kentucky at the
28 end of the week to take over the Racing Commissioner's

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01 International Organization. So you have our congratulations
02 and best wishes, Lonnie.

03 First item on the agenda is the approval of the
04 minutes of the regular meeting of June 1, 2001.

05 Is there a motion?

06 MR. LANDSBURG: So moved.

07 (Motion was unanimously carried)

08 MR. TOURTELOT: Second item, discussion and action by
09 the Board on the Application for the License to Conduct a
10 Horse Racing Meeting of the Bay Meadows Operating Company at
11 Bay Meadows, commencing August 31 through November 5, 2001.

12 MS. WAGNER: Good morning, Commissioners.
13 Jackie Wagner, CHRB staff. The application before you is from
14 the Bay Meadows Operating Company. They have filed their
15 application to race from August 31st through November the 5th,
16 which is 52 days, which is five days less than they raced in
17 the year 2000.

18 They are proposing to race a total of 447 races or
19 8.6 races per day. They are requesting to increase the number
20 of races if sufficient -- if horses are available. They need
21 the ten percent requirement for stakes purses paid for Cal-bred
22 stakes races. We've also received an amended
23 calendar request from them. They are proposing to race on
24 Monday, September 24, rather than Thursday, September the 6th.
25 They will be racing five days per week, Wednesday through
26 Sunday; four days per week August 31st to September the 3rd;
27 six days per week, which will be a Wednesday through a Monday,
28 on the weeks of September the 5th through 10th, October 3rd

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01 through the 8th, and October 31st through November 5th.
02 They are proposing to race eight races per day on
03 Mondays, Wednesdays, Thursdays, and Fridays; nine or ten races
04 on Saturday; and eight or nine races on Sunday. First post
05 time will be 1:45 p.m. daily between August 31st and September
06 23rd; proposing a 12:05 p.m. post on September the 26th
07 through November 5th, and a 7:15 p.m. post time on Friday
08 nights.

09 The missing information that was noted in the
10 analysis, I do have an update on that. The horseman's
11 agreement has been signed. It is subject to approval of the
12 overnight stakes. The fire clearance is being performed as we
13 speak and we should receive that by Monday as soon as we get
14 back to the office. And we have received the financial
15 statements for the year 2000. Staff would recommend the Board
16 approve the application.

17 MR. TOURTELOT: Any comments or questions from the
18 commissioners?

19 MR. HARRIS: What is the logic of that six-day week on
20 September 24?

21 MR. ZIEGLER: I'm Mike Ziegler from Bay Meadows.
22 Originally we had intended on running on Thursday, I guess
23 it's September 6th, and due to the fact that Del Mar closes on
24 the 5th and Fairplex doesn't open till the 7th -- we want to
25 run concurrently with the south; so we're switching that date
26 which was allocated out with the 24th, which would be closing
27 day at Fairplex, thus concurrent racing opens up.

28 MR. HARRIS: Do you have any concerns about field sizes
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01 with these six-day weeks?

02 MR. ZIEGLER: Obviously field size is a concern, but
03 we're pretty confident in the fact that -- the way Fair has
04 turned out this summer, that moving forward we'll be able to
05 continue with the six-day weeks successfully as they have been
06 so far this summer.

07 MR. HARRIS: Do you have six-day weeks for the whole
08 week if you can get them?

09 MR. ZIEGLER: No.

10 MR. HARRIS: On page 5, one of my issues on these
11 applications is that we're trying to redo the applications and
12 see if there's anything, you know, that would make -- be
13 better stated different ways. And one of the things -- I'm
14 not sure if it's the math or if there's something I'm
15 missing -- but you say the estimated purse distribution of all
16 stakes race is 450,000, but on the next page there's \$650,000
17 worth of listed stakes that doesn't even include the overnight
18 stakes. So what are we missing here?

19 MR. ZIEGLER: What we're missing is the money provided
20 to us by Breeder's Cup.

21 MR. HARRIS: I see. Are you talking about running any
22 overnight stakes?

23 MR. ZIEGLER: We are going to run overnight stakes, but
24 the schedule is still pending. And those will be listed as
25 overnight races as opposed to stakes.

26 MR. LANDSBURG: While you're provisioning for the
27 possibility of five more days, where would you put them?

28 MR. ZIEGLER: No. We have five additional days last
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01 year. That's what we stated.
02 MR. LANDSBURG: I thought I heard Jackie -- I thought I
03 read, if you have sufficient races or horses available you
04 want to go five more days.
05 ZIEGLER: Actually the statement was referring to if we
06 have sufficient horses available we'd like to run more races
07 than the 8.6.
08 MR. TOURTELOT: Jackie, I note the absence of the
09 provision regarding the backstretch that all laws, regulations
10 have been complied with. When are we ever going to get that
11 into our application? It's been almost a year now.
12 MS. WAGNER: We are working to finalize that as we
13 speak. There have been proposed changes to that application
14 and we have completed those changes. And that is in the
15 process of being noticed.
16 MR. TOURTELOT: If there's going to be further delay
17 because of other changes that people can't, you know,
18 finalize, I think we ought to still go ahead and put in the
19 backstretch that -- something that we've talked about. I
20 don't think it's that complicated to put in there.
21 MS. WAGNER: I will make that note for the following
22 meetings, because we are inspecting those backstretch areas.
23 Those are being done in conjunction when we do the track
24 safety inspections. In the future I will make a notation on
25 the analysis so that you know those inspections are happening.
26 MR. TOURTELOT: I know they're being done. Mr. Minami
27 came down and did the Del Mar, but we want the
28 representation with respect to all the laws and regulations
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01 and safety.
02 Any other questions?
03 MR. HARRIS: This sort of ties into the application on
04 page 6, it talks about the minimum number of stalls with the
05 race being 900. That doesn't really seem that logical that
06 you could conduct the whole race with 900 stalls.
07 MR. ZIEGLER: That number is referring to the number of
08 stalls on track, but we're also using as many as 1100 off
09 track at the Golden Gate Fields facility as well as Pleasanton
10 area.
11 MR. HARRIS: As I interpreted that, the form is
12 supposed to be how many total stalls you need to conduct the
13 race meeting, is what it says. And it should really be that
14 total number and then you figure how many you have on track
15 and how many you have off track.
16 MR. ZIEGLER: I understand where you're coming from,
17 and we should note that for future applications that it would
18 be the total number that we're using as opposed to what's just
19 on track.
20 MR. HARRIS: I don't know if anyone's here from
21 Sacramento, but I know they had some concerns on overlap as
22 far as the quality of racing.
23 MR. ELLIOTT: David Elliott, California State Fair.
24 I'll be brief, I promise. We have -- our condition book is
25 out. We have written our condition book in a manner to where
26 the four days of overlap -- we do not have one race in the

27 condition book that is about a twelve five claimer. I believe
28 we have two twelve five maidens, and we have two open twelve

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01 five claimers. And, you know, if the Board -- if Bay Meadows
02 is going to be allowed to run the total number of races that
03 they're asking for and overlap weekends, then maybe I would
04 just ask if there's some way the Bay Meadows racing office can
05 work with our racing office in trying to schedule races, so
06 that we're not on top of each other like we have been for
07 every single year since I've been around regarding the cheaper
08 horses, the 32's, the 4's, the 6250's that basically -- you
09 know, we run a lot of maiden eights on the last weekend, and
10 yeah, that's great if they're full fields, but we'd like to at
11 least have a shot of keeping the full fields that we expect to
12 have during the first part of our meet without overlap.

13 MR. LIEBAU: Jack Liebau, president of Bay Meadows. I
14 think in the past that there has been a certain amount of
15 coordination between Bay Meadows and Cal Expo. And, in fact,
16 I think in the prior two years the racing secretaries did, in
17 fact, work on the condition book. This time it's been sort of
18 preempted, because the condition book in Sacramento is already
19 out.

20 I would note for the record that during the
21 overlap last year the Sacramento averaged 7.68, only averaged
22 7.13 when they weren't overlapped. Also I think there's
23 different types of horses as far as -- our average purse at
24 Bay Meadows is 18,000 plus. And during the overlap last year,
25 they ran 9,000. So I don't really think we are using up the
26 same horse population.

27 Also I find it hard to understand how races, which
28 I think Mr. Elliott was objecting to, on Labor Day would

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01 impact him, since Labor Day is his closing day. If he did
02 think there was a problem -- I know it has been suggested by
03 CARF that the fairs take their entries earlier; that would
04 help them as far as simulcasting on the out-of-state basis.
05 And so we would have no objections to them taking entries on
06 Friday instead of Saturday for Labor Day. And, you know, that
07 way their racing schedule is set. Thank you very much.

08 MR. ELLIOTT: Mr. Liebau brought up the difference in
09 purses paid on overlap weekend. I don't know if that means
10 they will continue to have that high purse payment schedule
11 during that overlap weekend, which basically says that they'll
12 run the allowance ones and allowance twos and the higher
13 priced claimers. And I think probably in that number too is
14 the \$125,000 turf championship that they -- on that weekend
15 including in that -- on that Sunday or Monday.

16 I guess my point is, if we could just -- if they
17 would leave the 32's, the 4's, and the 6250's alone and allow
18 those cheaper horses to continue to have those racing
19 opportunities on the fairs until they wait to go down to
20 Fresno or whatever -- I don't even know that they need those
21 horses. It doesn't sound like they do, since their purses are
22 pretty high on that overlap weekend. I guess I'm just asking
23 the Board if they could possibly suggest that to Bay Meadows.

24 MR. HARRIS: This is the problem for all overlap as far
25 as -- part of the theory of overlap is that you're using

26 different pools of horses, where if Bay Meadows could agree to
27 not run claiming races below, say, 8,000 or so just during the
28 period of overlap, it would help the total circuit, I think.

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01 MR. LIEBAU: I think it's difficult for us to make any
02 sort of recommendation. I'll say that we will do our best,
03 but we have to fill our card. And there are some trainers
04 that just are not going to shift from either Bay Meadows or
05 Golden Gate to Sacramento. It is a two-hour thing, so, I
06 mean, to say that they're going to be foreclosed from running
07 on those days I don't think is reasonable.

08 All I can say is in the past there hasn't been a
09 problem. In the past Cal Expo, at least in 2000, had a higher
10 field average during the overlap period than they had during
11 the unoverlap period. So, you know, it's worked in the past.
12 The 7.68 that they had during the overlap period, through
13 coincidence, happens to be the amount of the average field
14 size for the entire California fair circuit. So the
15 statistics show that it hasn't been a problem.

16 MR. TOURTELOT: How exhaustively was this all discussed
17 last year at the race committee?

18 MR. LIEBAU: I suspect that to some extent it's been an
19 issue every day. I think we started out this discussion by
20 saying, you know, Chicken Little -- that Bay Meadows is going
21 to say the sky is falling, as I recall. So, yes, I'm sure
22 that it was.

23 MR. TOURTELOT: It just seems that we had all this
24 discussion with Chairman Niclaus' committee last
25 year. We're just having it over again. And we're going to
26 have it again Friday for next year.

27 MR. ELLIOTT: I just wanted to respond to the 7.68. I
28 didn't know that 7.68 was a great average field size. I

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01 didn't know that we were down to us being happy about 7.68,
02 and I'll stop on this issue. But the Board -- I would like to
03 discuss item number 2 and 3 on my letter that I sent to the
04 California Horse Racing Board whenever I may.

05 MR. TOURTELOT: You want to discuss 2 and 3 with
06 respect to this application?

07 David, did you say you want to discuss 2 and 3
08 with respect to this application?

09 MR. ELLIOTT: Yes, sir.

10 MR. TOURTELOT: You better have at it, because we're
11 about ready to rule on it.

12 MR. REAGAN: Commissioners. John Reagan, R-e-a-g-a-n,
13 CHRB staff. In regard to item 2 in David's letter of June 29,
14 he asked which code section enables this situation with Bay
15 Meadows and Pomona -- the code section is 19601H. It's
16 paragraph H of the code section that allows the northern and
17 southern exchanging signals. So that's the code section that
18 he's looking for. And it does apply to Bay Meadows. It does
19 not apply to Del Mar and Hollywood Park. So we can certainly
20 assure him that is the appropriate code section.

21 For item number 3, this is another esoteric gray
22 area, but kind of an interesting one that he pointed out. I
23 have to give you a little bit of background on this. In 1994
24 they authorized the north/south signal as we spoke of earlier,

25 but before that they authorized the off-track wagering within
26 California. And one of the provisions of that code was that
27 satellite wagering facilities would receive two percent of
28 whatever they handled. There was some prorated days and what

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01 have you, but essentially it was two percent.

02 Then, like I said, in 1994 when 19601 came into
03 law, they have a special sentence, an interesting one, that
04 talks about "for wagers on out-of-state and out-of-country
05 races made within the association's or fair's enclosure, one
06 percent shall be distributed to the association or fair as a
07 satellite wagering commission." So now we were sitting there
08 with a new kind of handle. It was off track in a sense that
09 it was certainly taking a simulcast signal, but it was within
10 the enclosure of the host, which is generally on track.

11 So we suddenly had this on-track simulcast
12 interzonal-type wager, and the code pointed it out as slightly
13 different, because it said only one percent shall be taken.
14 So we simply designated that as on-track interzonal simulcast.
15 So then what happens is going back to the '88 law -- the '87
16 law, when you're talking about the northern zone overlap, you
17 talk about sharing the expenses 50/50. And then the question
18 is, the expenses that are generated by the on-track location,
19 are they included in, as Mr. Elliott says, "the pot." And at
20 that point we decided the answer was no. This was on-track
21 handle even though it was simulcast interzone and it did
22 generate expenses.

23 The expense money, as he indicates here, that
24 money did not have to be put into the pot. It was not
25 off-track simulcast expenses, it was kind of on track. And
26 that was the decision we made. And that's what we've been
27 working with. So that's a little complicated, I know. It's a
28 little strange there, but it's one of those gray areas that we

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01 came up with a decision and that's what we've been working
02 with. That's the best I can do.

03 MR. ELLIOTT: I wasn't in on those conversations.
04 Obviously I had a dog in the fight, because it's during the
05 four days of overlap. I would like to speak about item number
06 2 first that respectfully Mr. Reagan referred to in 19601H.
07 19601H is current horse racing law. I have copies of it for
08 any of the commissioners that wish to have it. It talks
09 specifically: "during calendar periods when both the fair and
10 thoroughbred associations conduct live racing, the amounts
11 deducted under this section shall be distributed on any day
12 of overlap as provided in section 19607.5, except that the
13 applicable state license fee shall be at the rate specified
14 for nonfair meetings"; subdivision B, section 19607.

15 Those two sections, 19607.5 and 19605.7 only talk
16 about overlap in the northern zone. They have absolutely
17 nothing to do with the north/south signal exchange between
18 Bay Meadows and Pomona during that calendar period. My
19 argument is, if Bay Meadows is allowed to take that reduced
20 license fee during that Pomona period, which last year alone
21 amounted to \$150,000, then Del Mar and Hollywood Park should
22 both -- both be able to take that reduced license fee when
23 they're running in the south and the fair is running in the

24 northern zone period.

25 There is absolutely nothing -- they call it a gray
26 area, but if it was meant to be, it would be in law. If it
27 was -- if they were allowed to take that reduced license fee,
28 it would be in law. It would be very specific that when Bay

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01 Meadows is running against Pomona, they would be able to take
02 a reduced license fee. My other issue on item number --

03 MR. ZIEGLER: I think we have to realize here that our
04 current mutual handle and distributions are audited on a daily
05 basis by the state auditor. And this has been for some number
06 of years past practice and interpretation of this section. It
07 does not involve Cal Expo at all. It's part of a continuing
08 attack by Cal Expo on Bay Meadows. If, in fact, Hollywood
09 Park and Del Mar are not taking advantage of this section,
10 that is their business. The section is very clear. I should
11 say I hope it's very clear, because, in fact, I had a lot to
12 do with drafting those sections. The past practice and the
13 interpretation by both the staff of the CHRB and the auditors
14 has been going on for years. And it doesn't involve Cal Expo
15 at all. Thank you.

16 MR. TOURTELOT: You know, I guess I shouldn't have had
17 a glass of wine last night, because I'm totally confused.

18 MR. ELLIOTT: It's meant to be confusing, Commissioner.
19 That was my point. If it was meant -- if it was legal it
20 would be very clear in law that they should be able to do it.
21 It would be very clear.

22 MR. TOURTELOT: I don't know what to do about this,
23 David. I don't understand this at all.

24 MR. REAGAN: One point here, the paragraph H that we're
25 concerned with here, is in the code section 19601 that did
26 authorize the north/south exchange of signals. So first of
27 all we look at it in context of the overall section it's
28 within, and that was the one that was put on the books for the

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01 specific purpose of exchanging the north/south signals.

02 So we feel in that context the Bay Meadows overlap
03 with the Pomona fair -- thoroughbred fair overlap, now we're
04 within 601; that seems to be what we're talking about here.
05 Then specifically within paragraph H, it talks about the other
06 code sections, refers to those. So as best we could, we took
07 the law that was presented to us and implemented it after
08 discussion with the various parties involved.

09 And Mr. Elliott is correct; at that time he was
10 not in the current position. And when we sat down with the
11 associations and CARF and discussed how to put the pencil to
12 these numbers, how to distribute these dollars, he was not a
13 player at that point, but we did come up with a little bit of
14 give-and-take-type of solution. And as indicated, when we
15 work with computers and numbers, we can't have gray areas. We
16 have to eventually make some kind of decision. And we come to
17 some kind of compromise decision and we all walk away from the
18 table with a little give and take and we come up with an
19 answer we can all live with.

20 MR. TOURTELOT: I'm going to have to cut you off.
21 Staff recommends that we approve the application condition
22 upon receiving the additional information. And that assumes

23 that the staff has considered your letter and Mr. Reagan's
24 comments. So you go ahead and say what you want.

25 MR. ELLIOTT: I obviously have other legal avenues to
26 go through regarding the interpretation of this law. I did
27 want to mention one thing. As I stated in my letter, this is
28 not an attack on Bay Meadows, if you will. This is basically
0019 whatever is right and whatever is fair. If the Board is going
01 to allow Bay Meadows to continue to do this, then the Board
02 must consider a request by Del Mar and Hollywood Park. If
03 they choose to have another 850, \$900,000 in their pocket
04 during their meets, the Board must consider that as well.

05 I believe there was an application to this Board a
06 few years ago from Del Mar -- I'm not sure -- asking to be
07 able to apply the same law to their meet, and I believe it was
08 turned down. But the point to my letter is, I'm not attacking
09 Bay Meadows. I'm a state employee. We have to make 40
10 million dollars in license fees every year. All I'm saying is
11 everybody should be paying their fair share. What should be
12 good for one, should be good for everybody.

13 MR. WOOD: Mr. Reagan, how long have we interpreted
14 section 19601H in which you've just described? It's been
15 quite some years that we've been implementing that procedure.

16 MR. REAGAN: Yes. It will be seven years next week.

17 MR. TOURTELOT: Why is this coming up now, Dave, after
18 seven years?

19 MR. ELLIOTT: I just found it.

20 MR. TOURTELOT: Any more comments from the audience?

21 The chair will entertain a motion to approve the
22 application as submitted subject to the additional information
23 with the parties.

24 MR. HARRIS: I would like to see -- I don't know if we
25 have to make it part of the approval, but Bay Meadows did
26 conduct some good-faith effort to try to put on races that
27 don't conflict with the lower level claiming races that Fresno
28 and Sacramento would be trying to -- I'm not talking about--
0020 maybe 6250's and 5's and 4's during that period would be
01 helpful to not have those taken away from the fairs.

02 MR. TOURTELOT: Ready to make a motion. (LANDSBURG/MORETTI)
03 (Motion was unanimously carried)

04 MR. TOURTELOT: Passed. The next item on the agenda is
05 item 3, discussion and action by the Board on the application
06 for license to conduct a horse racing meeting of the Humboldt
07 County Fair at Ferndale, commencing August 9 through August
08 2001.

09 MS. WAGNER: Jackie Wagner, CHRB staff. The Humboldt
10 County Fair has filed this application to race from August 9th
11 through August 19th, which is ten days, which is the same
12 amount of days that they raced in the year 2000. The fair is
13 proposing to race 74 races, which is three races less than
14 they ran last year. They will be racing Thursday through
15 Monday the first week and Wednesday through Sunday the second
16 week; six races on Monday, seven races on Wednesday and
17 Thursday, nine races on Friday and Sunday, and ten races on
18 Saturday.

19 The number of races programmed for each breed will
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22 be determined conditioned upon the number of available horses.
23 Their first post time is 1:55 p.m. on Saturday and Sunday.
24 They will have 2:25 p.m. post on Monday, Wednesday and
25 Thursday and a 3:25 post on Friday. Their wagering program
26 will use all CHRB rules. The analysis indicates there are
27 some missing items. We have received the thoroughbred
28 sign-off for Humboldt. I have received that. And to date we
0021 are missing the fire clearance and the horsemen's agreement
02 for the quarter horse and the Appaloosa. Staff would
03 recommend that the Board approve the application contingent
04 upon us receiving that missing information.
05 MR. LICHT: Jackie, on page 9-A3, aren't those the
06 stewards, not the placing judges, or are those serving the
07 same function?
08 MR. WOOD: Commissioner, the only exception to these
09 placing judges being the stewards at Ferndale -- it's been
10 that way for years. It's very tight quarters, limited amount
11 of equipment. And in this particular instance the Ferndale
12 has the steward service which we approved that and adopted
13 that for many years.
14 MR. LICHT: And there's never been a problem with it?
15 MR. WOOD: We've never had a problem with that.
16 MR. TOURTELOT: And they pay the additional income for
17 that?
18 MR. WOOD: No, sir.
19 MR. LICHT: You'd be setting a precedent.
20 MR. WOOD: It's been going on for quite some time. We
21 haven't accepted any other exceptions. If you attend a race
22 at Ferndale, you would see that's quite acceptable.
23 MR. LICHT: Okay. Why on the first page do we have a
24 \$6 minimum purchase of a voucher on wagering? That's the only
25 place we do that too; right?
26 MR. HARRIS: I don't see why that's necessary.
27 MR. WOOD: Mr. Corby, why is there a \$6 minimum for
28 self-service machines at Ferndale?
0022 MR. KORBY: Chris Korby, California Authority of Racing
02 Fairs, on behalf of Humboldt County Fair. The question is \$6
03 minimum on the voucher purchase?
04 MR. HARRIS: Yeah. That's all exotics, I guess, but I
05 don't see why you need to do that.
06 MR. KORBY: That's a decision by the Fair and they've
07 decided to do that. I can communicate the desire of the Board
08 to have that otherwise, if that's the case.
09 MR. HARRIS: It just seems kind of confusing if one
10 wants to make a bet and the thing's not working. I don't
11 know. It just seems like something that's not really
12 necessary.
13 MR. KORBY: Typically that minimum voucher purchase is
14 lower.
15 MR. TOURTELOT: Any other questions?
16 MR. LICHT: I would prefer you communicate it unless
17 there's some other reason they don't want it that way.
18 MR. CORBY: On behalf of the Fair, I'll represent that
19 that would be lowered.
20 MR. HARRIS: It is nice to see they're doing early bird

21 wagering, because most of the Fairs don't do that, do they?
22 MR. KORBY: That's correct.
23 MR. TOURTELOT: Any other questions from -- questions
24 or comments from the audience?
25 The chair will entertain a motion to approve the
26 application for the Humboldt County Fair. (LICHT/MORETTI)
27 (Motion was unanimously carried)
28 MR. TOURTELOT: Next item on the agenda is the item 4.

0023

01 Discussion and action by the Board on the application for
02 license to conduct a horse race meeting of the Los Angeles
03 County Fair at Fairplex, commencing September 7th through
04 September 24th.
05 MS. WAGNER: Jackie Wagner, CHRB staff. The
06 Los Angeles County Fair has filed this application to race
07 from September 7th through September 24th for 18 days, which
08 is the same amount of days that they raced in the year 2000.
09 They are proposing to race a total of 216 races, two races
10 more than they ran in 2000. They will be racing 18 straight
11 days with 12 races per day. They will have a first post time
12 of 1:00 p.m. daily. Their wagering program will utilize CHRB
13 rules. Early wagering is scheduled for 8:30 a.m. at Hollywood
14 Park. The analysis indicates that we still have missing
15 information from this application. That information has been
16 received. We've received the horseman's agreement for the
17 Appaloosa and quarter horse. And we've also received the fire
18 clearance. The staff would recommend that the Board approve
19 the application.
20 MR. TOURTELOT: Any comments or questions from the
21 commission?
22 MR. LANDSBURG: Just a quick note. It seems to me if
23 they're moving down to 1:00 p.m., they'd still be running 12
24 races -- aren't they going to be running -- I don't remember.
25 MR. HARRIS: They've got lights.
26 MR. LANDSBURG: That's what I didn't remember.
27 MR. TOURTELOT: Any comments from the audience?
28 MR. LANDSBURG: I'm sorry. I had one other question

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01 when I read it. What does "the right to have maximum
02 discretion over exotic wagering" mean? What discretion are
03 they asking for? I have no idea what that request means.
04 MS. WAGNER: Is there a representative from --
05 You're retired but maybe you can come forward and give us
06 a hint.
07 NEIL O'DWYER: What was the question?
08 MR. LANDSBURG: What is the right to request maximum
09 discretion on exotic wagering? I don't quite understand the
10 request. What does "maximum discretion" mean?
11 NEIL O'DWYER: I don't have the slightest idea.
12 MR. HARRIS: I would guess that it means that forms --
13 like things that you're already doing now, but you're not
14 going to do any twin trifectas?
15 NEIL O'DWYER: I don't think we have ever
16 requested any deviation on wagering from what was in our
17 license application.
18 MR. WOOD: I don't recall any change in exotics that
19 we've been dealing with you either. I guess this is a

20 standard format that you put in this application.
21 NEIL O'DWYER: It's not anything that we added
22 this year. Neil O'Dwyer, Fairplex.
23 MR. TOURTELOT: Thank you, Neil.
24 MR. HARRIS: On the off-site stabling, is there a
25 different system at the fairs, or do you accumulate money
26 every day effectively to pay for off-site stabling? Because
27 it shows the total cost for your off-site stabling for the
28 meeting is 100,000, which would only be 5,000 a day or so.

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01 And I thought the cost was more than that going to Santa Anita
02 and Hollywood Park.
03 MR. SEDER: Mike Seder. Commissioners, the
04 reimbursement is for vanning during that period of time. It's
05 not for stabling.
06 MR. HARRIS: Is there any stabling money going out or
07 just --
08 MR. SEDER: There's no stabling money at Fairplex. I
09 think there will be at other facilities. So what we have in
10 here would represent the reimbursement on the vanning back and
11 forth.
12 MR. HARRIS: While Fairplex is running are the other
13 tracks getting -- like Santa Anita and Hollywood Park, getting
14 some sort of a stipend for providing their stable?
15 MR. SEDER: Yes.
16 MR. HARRIS: So that's coming from Pomona or from the
17 fund?
18 MR. SEDER: It's coming from the fund.
19 MR. HARRIS: The fund's generating money, but it's not
20 really --
21 MR. TOURTELOT: Any other questions from anyone in the
22 audience?
23 The chair will entertain a motion to approve the
24 application for Los Angeles County Fair.
25 (Motion was unanimously carried) (GRANZELLA/HARRIS)
26 MR. TOURTELOT: Next item is 5, discussion and action
27 by the Board on the application for license to conduct a horse
28 racing meeting of Capitol Racing at Sacramento, commencing

0026
01 September 28th through February 22nd, 2002.
02 MS. WAGNER: Jackie Wagner, CHRB staff. The Capitol
03 Racing Association proposes to race from September 28th
04 through February 24th. They will be racing -- they're
05 proposing to race 84 nights with 989 races or 11.8
06 races per night. If sufficient horses are available the
07 Association is requesting to increase this to 96 nights
08 and 1,109 races or 11.6 races per night.
09 They're proposing to race four nights per week,
10 Wednesday through Saturday, if sufficient horses are
11 available. Capitol's also proposing to add 12 Sunday night
12 race nights in the months of December, January, and February,
13 which would bring their racing to five nights per week. Their
14 first live post is 5:35 p.m. daily, and 6:45 p.m. post on
15 October the 19th. Their wagering program would use a
16 combination of both CHRB rules and the RCI rules.
17 There are still some items outstanding on this
18 application. They include the horsemen's agreement, fire

19 clearance, stake schedule, and the name of the racing
20 veterinarian. We have received notice that the lease
21 agreement has been completed and that will be forwarded to the
22 CHRB office by Monday. The staff would recommend that the
23 Board not approve Capitol's request to race five days a week
24 until they are able to show that they do have sufficient
25 horses available for that request. And we are recommending
26 that the Board approve the application upon us receiving the
27 additional information missing in the application.

28 MS. MORETTI: Jackie, what is sufficient? Is there a
0027 number attached to that?

02 MS. WAGNER: There's not a specific number to my
03 knowledge, but in terms of the field size and the number of
04 horses that are available I'm sure that would be something we
05 would look at before granting that request.

06 MR. HOROWITZ: Alan Horowitz, Capitol Racing
07 Association. The reason that we had requested these
08 additional days was one, because in conversations with our
09 racing secretary and his communications with horsemen around
10 the country and in Canada, there is opportunity to recruit
11 additional horses for our program. Our program has stabilized
12 now. For those of you who have been on the Board a couple of
13 years, you know this is the first year that all of the racing
14 dates for harness have been at Cal Expo. In the past they've
15 been at Los Alamitos January, February and March when there
16 was no quarter horse racing. Now we race with quarter horses.
17 They race at Los Al, we race at Cal Expo during the same
18 period of time.

19 We've stabilized the program. The program is
20 growing each year. Every first top-tier harness racing
21 program in the country races five days a week. And the
22 horsemen who race at those meets expect that they can get all
23 of their horses raced. The unique thing about the standard
24 bred horse is that our horses -- most of our horses race every
25 week, unlike the thoroughbreds or the quarter horses or the
26 Arabians. So when someone is contemplating shipping out of
27 California, they look to see and they try to convince their
28 owners that there's racing opportunities that's sufficient out
0028 here.

02 I think what we're essentially asking for is if we
03 only have horses sufficient to race four nights a week, we
04 will continue to race four nights a week. When we -- instead
05 of having to come back to the Board and have this kind of a
06 hearing and wait for that moment, we'd like to be able to say
07 when we're recruiting -- and our meet, by the way, ends next
08 week. So it's important that we get this information out to
09 our horsemen as well to buy additional horses. If we can
10 advertise that we have the option to go five days, if
11 sufficient horses are available, that will help us in
12 recruiting. If we get to a month before that first set of
13 four optional Sundays, and we see and we talk to the racing
14 secretary, the stewards who see the entries every day -- the
15 racing board is across the street from us -- Roy and Roy and
16 John Reagan, that we have not enough horses.

17 Our definition of sufficient horses is we don't

18 want to see horses coming back and racing two days a week. We
19 believe horses should race one day a week. They're
20 comfortable racing one day a week. We think you don't have
21 enough horses when you have to depend on horses to come back
22 again to fill races.

23 Our format in a five-day program would be 10 races
24 on Wednesday and Thursday and Sunday and 12 to 13 races on
25 Friday and Saturday. We are now conducting some days where we
26 have 14 and 15 races. We had a five-day week that was a
27 holiday week a couple of weeks ago, but it happened to be a
28 five day because the holiday fell on a Monday. So we raced a
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01 four day, a five day, and then a four day. And in that
02 five-day week we had 58 races, so 58 races even with the
03 horses that we have on the grounds.

04 I think this is our opportunity to move into the
05 next level and recruit additional horses. Again, if we do not
06 have sufficient horses, we're not interested in going to a
07 fourth day. If the fourth day will accommodate all the horses
08 that we have comfortably that's our goal and our expectations
09 would be satisfied.

10 MR. TOURTELOT: Alan, in response to your application,
11 there's an opposition from Los Alamitos. You've read that?

12 MR. HOROWITZ: Yes.

13 MR. TOURTELOT: And in that opposition Rick Henson
14 states that the night industry has traditionally raced
15 successfully on a four-night-per-week program format for many
16 years. What's your response to that?

17 MR. HOROWITZ: Well, if you look at say this year and
18 last year, that's probably the case, except that Los Al, in
19 their application to race harness in the year 2000 that was
20 approved by the Board, had an optional fifth day of sufficient
21 horses in that license application. That license application
22 was approved by the Board at Los Al. I think they ran four to
23 six weeks of those five-day weeks and then decided they didn't
24 have sufficient horses to continue for the balance of the
25 meet.

26 So in terms of tradition we've had three-day
27 weeks, four-day weeks, five-day weeks, and the one thing I can
28 tell you that's consistent throughout all of those years is if
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01 we have a certain number of horses we race those days. If we
02 don't, we don't try to stretch a program. But we're concerned
03 about -- and we're sensitive to all of the discussions that
04 you people have had with the thoroughbred organizations. Our
05 fans want full fields, and it's not good when we put a
06 four-horse or five-horse race or six-horse race on. And so we
07 are sensitive to that as well. And if we can't package a
08 comfortable five-day program we won't run a five-day program.

09 MR. LICHT: How many horses do you have on the grounds
10 now?

11 MR. HOROWITZ: We have about 800, 850, somewhere in
12 there. And we have some at Greenbriar, a training center
13 close by in Sacramento.

14 MR. LICHT: You say the minimum is 930?

15 MR. HOROWITZ: Well, that's about all the stalls there
16 are.

17 MR. LICHT: 990?
18 MR. HOROWITZ: There are 990, but some of the stalls
19 are used for storage and other purposes, so they're not
20 available to race horses.
21 MR. LICHT: You say you don't want a four, five-horse
22 field. What are you looking for an, eight-horse field?
23 MR. HOROWITZ: That would be wonderful. Last Friday
24 and Saturday night we had 15 races each night, and we had 130
25 horses racing on one night and 123 on another.
26 MR. HARRIS: When you have 15 races, how late do you
27 get over?
28 MR. HOROWITZ: It depends. We start at 5:30.

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01 Usually -- it depends. Friday nights are a little slower
02 because when the thoroughbred meets are also running on Friday
03 night we have to space our races between their races. And our
04 imports and some of the thoroughbred imports and some of the
05 quarter horse imports also come. So we'll get out on a
06 typical Friday night -- I'd say about 11:15, and on a Saturday
07 night a little earlier, because it's just the quarters and the
08 harness that are out for the bulk of the evening.
09 We can put on a race every 20 to 22 minutes, a
10 live race. And since statutorily we're only able to take six
11 signals when we're not overlapped, so on nights that we
12 overlap with quarters we each get six races. So it's not like
13 we have three cards to have to worry about.
14 MR. HARRIS: One issue that's come up is the racing
15 being able to fund from the license fees and the drug testing
16 and the -- paying the stewards and some of the CHRB costs. Is
17 this meet able to do that with the level you've got?
18 MR. HOROWITZ: We've paid all of our license fees. I'm
19 not privy to the Board's information with regard to sufficient
20 funds that are generated.
21 MR. HARRIS: Has the Board looked at that?
22 MR. HOROWITZ: We actually -- and I don't know how many
23 of the Board members know this -- we actually have a blood
24 testing program that's conducted by Capitol in conjunction
25 with the horseman's association for milk shaking the horses.
26 That's conducted at our expense. And we've ejected some
27 individuals for violations of the so-called black box.
28 MR. HARRIS: I was just thinking if you had 15 races,

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01 if you had twice the drug testing costs that some meets might
02 have and I was just concerned that we're -- I'm supportive in
03 part of what you're trying to do.
04 MR. HOROWITZ: If there were additional surcharges that
05 would be necessary we would be glad to pay.
06 MR. WOOD: We do realize that. And we are currently
07 going through the analyzation of the fair circuit right now,
08 but the drug testing at the race meets are covering our funds
09 and our funds are well accounted for.
10 MR. HARRIS: Each meet is supposed to --
11 MR. LICHT: Have you done your stall outs for this meet
12 yet?
13 MR. HOROWITZ: We have the stall out, but we haven't
14 been able to advertise nationally. That was the reason this
15 license application was put on this agenda as opposed to being

16 put over a month. Our race meet ends on next Saturday. And
17 so it'll give us an opportunity to get to all of our horsemen
18 as well as get into the trade papers. There is a program in
19 Alberta, Canada that is -- the scuttlebutt is that there's
20 going to be some cutback in their racing opportunity. And
21 we've done real well in the past recruiting out of Canada.
22 MR. WOOD: One thing I would point out is that this
23 application does contain dates past December 26th, which
24 currently have not been allocated to the race committee.
25 Historically we have always used that cutoff date for
26 applications, but this is a unique situation in that this
27 year -- the second year we'll have year-round harness racing
28 at one location. So you are -- if you do approve this

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01 application or approving the dates passed the December 26th
02 allocation. So that's something you need as part of the
03 condition --

04 MR. TOURTELOT: The Board does have the discretion to
05 go beyond that.

06 MR. WOOD: That's exactly right.

07 MR. LANDSBURG: Does anyone know what the impact on
08 Los Al -- the running opposed would now have?

09 MR. HOROWITZ: Well, Rick is here so I'm sure he could
10 speak.

11 MR. HENSON: Mr. Chairman, members of the commission,
12 Rick Henson with Los Alamitos Race Course. We did submit a
13 letter dated July 5th to the race date committee in opposition
14 of the Sunday racing for harness. Traditionally harness is
15 raced unopposed on Wednesday night and quarter horses have
16 raced unopposed on Sunday night. It's been very successful
17 for both of us. It certainly will have an economic impact on
18 us if they do race at the same day that we do on Sunday.
19 We're not opposed to them racing all year long or as many
20 weeks as they can, but we would like to keep the Sunday
21 evening for ourselves.

22 MR. LANDSBURG: We still don't know what impact that's
23 going to have.

24 MR. HENSON: Their operation is similar to ours. I
25 think when you have two breeds racing at night there's more
26 handle generated overall between the two racing associations,
27 but each operation probably doesn't do as much as they would
28 do if they were alone. From a purse situation -- horseman's

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01 purses, when one entity is up as opposed to two, they're
02 allowed to bring in 12 out-of-state races. The operator --
03 the moneys -- the commissions from those 12 states with the
04 racing association. The purse is generated from those 12 is
05 split 50/50 between the two breeds. That was the way of
06 dealing with the overlap situation versus the nonoverlap
07 situation.

08 From our situation, we elected to try to go
09 Wednesday nights to try to have one night a week where harness
10 patrons could go to the satellite and indeed -- sort of the
11 run of the satellite. You know, if on Friday nights there
12 were thoroughbred signals up in harness signals and quarter
13 horse signals, it is probably very difficult to figure out
14 what's going on. There's a lot of hubbub. And some of your

15 own patrons in a particular breed might not come out because
16 they don't have as much access to the amenities in the
17 facility as they might on another night.

18 Our Wednesday nights are more costly, because
19 we're up alone. You save more when there are two signals.
20 When two signals go into a satellite, the satellite facility
21 makes more money. There are more patrons. There are more
22 programs sold. There's a larger handle. There's more
23 concession money. So I think from the satellite standpoint
24 the satellites would all benefit from the overlap.

25 But, you know, in the night industry -- we're not
26 talking like overlapping on the day industry where it's a much
27 bigger industry and you're talking about hundreds of thousands
28 of dollars. We're dealing with sort of a small cottage

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01 industry, really. I mean, we're growing and we're aspiring to
02 bigger and better things, but to those of you who understand
03 the thoroughbreds a little bit better than the standard bred,
04 everything is scaled down.

05 MR. NEUMEISTER: May I? David Neumeister,
06 N-e-u-m-e-i-s-t-e-r. I'm the president of the California
07 Harness Horseman's Association. What Mr. Henson says is true
08 in terms of the -- in short-term history, in terms of the
09 four-day weeks where they race Sundays and we race Wednesdays.
10 However, if you go back further, not very much further
11 historically, I think it's important for the Board to
12 understand that as Los Alamitos is objecting to one night a
13 week of overlap, they are doing so as they are about to embark
14 on two months of completely unoverlapped racing during the
15 months of August and September. We don't race at all. Now
16 that Los Alamitos quarter horses have taken the harness
17 traditional dates at Los Alamitos Race Course, I don't believe
18 we have one full week of unoverlapped racing.

19 So in essence, we are asking for one possible day
20 a week of overlap with the quarter horses on Sunday, if we're
21 lucky enough to get sufficient horses from Canada and back
22 east. Remember these horses have to come a long way to get
23 here, and we need to entice them to do that. And in this
24 case, the horsemen agree that bigger fields are better for the
25 program in the long run. I really believe that the bigger the
26 fields are, the more the handle is, and the better the
27 horseman do.

28 In addition, the nights that we're asking for,

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01 those Sunday nights, if we have enough horses, are during
02 dates when quarter horses didn't even used to race until this
03 year. They're during the period of our traditional
04 unoverlapped days at Los Alamitos. So not to put it too
05 dramatically, the Los Alamitos objection to me is somewhat
06 akin to the criminal defendant who goes into court after
07 killing both of his parents and asking for leniency because
08 he's now an orphan.

09 MR. LANDSBURG: That's a little bit farfetched.

10 MR. NEUMEISTER: We are only asking for a possible one
11 day extra a week during the period when quarter horses never
12 even raced until this year.

13 MS. MORETTI: This whole thing is a new experiment this

14 year with Los Al doing its thing and Sacramento strictly with
15 the harness. And actually coming from Sacramento I have been
16 rather encouraged by what's going on up in Sacramento. And I
17 think it's been very healthy. And I can't wait till next year
18 to see what the numbers actually are. But I would actually be
19 inclined to entertain this post just because of what I've seen
20 up there. If it doesn't work, it doesn't work.

21 MR. HARRIS: I think it's healthy for them to go five
22 days if they've got the horses. It just seems like what
23 they're saying is basically -- it's not going to be that much
24 difference.

25 MR. TOURTELOT: Any other questions or comments?

26 Then the chair will call for a vote -- for a
27 motion, rather, as to allowing Cal Expo to run the five days
28 if they have sufficient horses.

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01 MR. WOOD: And that is if the decision is made
02 administratively?

03 MR. TOURTELOT: That's kind of it, we don't know what
04 the number is.

05 MR. HOROWITZ: We'll be glad to meet with the Board's
06 staff to review the numbers as soon as we come back in
07 September and give them a heads up of where we are. I mean,
08 we're not trying to do this in the dark.

09 MR. HARRIS: Obviously you could run 15 races four days
10 a week and it's not going to be any different than running X
11 number of races five days a week.

12 MR. HOROWITZ: Some of our employees would rather do
13 five days and fewer races. And we've made some concessions to
14 various unions when we go to these long racing programs.

15 MR. WOOD: And you have limited your races as per your
16 application over the last several years?

17 MR. HOROWITZ: When the Board's staff has had concerns
18 with regard to the number of races and the late hours that
19 some of those racing cards would go, we have had ongoing
20 discussions outside the scope of the contract that would
21 include agreements and understandings with regard to limiting
22 it.

23 MR. TOURTELOT: As I've often said when I came on
24 the Board eight years ago, harness racing was heading
25 north; far north of Sacramento, Washington and other
26 places; and you've done a really good job in what you've
27 done in the last eight years.

28 So we are going to entertain a motion with respect

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01 to the application for the five days based upon the discussion
02 we had.

03 MR. LANDSBURG: So moved.

04 (Motion was carried unanimously)

05 MS. MORETTI: In that regard can we get a report
06 obviously from Los Al and from Capitol Racing saying -- since
07 this is the first year of experiment, a special report to see
08 just how the experiment has fared, where we are in terms of
09 the number of horses and dollars taken, et cetera, and the
10 overlap?

11 MR. TOURTELOT: Would that be appropriate for one of
12 your subcommittees?

13 MS. MORETTI: That's not quite under mine.

14 MR. HARRIS: I think if we get something -- you know,
15 how they have those split up, the different satellites, if
16 it's working or not.

17 MR. TOURTELOT: Thank you, again. Next item, item 6.
18 Did we vote in -- yeah, we voted.

19 Discussion and action by the Board on the proposed
20 regulatory amendment to CHRB Rule 1691 - colors and number, to
21 permit advertising on jockey attire, owner silks and track
22 saddle cloths.

23 Let me just say at the outset that a year ago this
24 came on the agenda. I think we had a 45-day notice period for
25 discussion, and the matter was tabled only because it turned
26 out that -- whether it's true or not -- I don't want to get
27 into an argument about whether Magna was privy to the
28 agreement that it worked out between certain associations and

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01 the TOC. Magna represented here that they hadn't even see it.
02 We said we gave it to Magna. I don't want to put my dog in
03 that fight, but the fact is we tabled it so that it could get
04 resolved and you would come back to us and we would move
05 forward. And there's some misunderstanding.

06 This motion today -- this proposed action
07 today is the CHRB is to amend its rule so that the tracks
08 and the jockeys and the owners would be free to enter into
09 such an agreement, whatever they want. That's not our
10 responsibility; it's for you all to come up with an agreement
11 that's acceptable to all of you. The only regulation we would
12 have is to the content -- the stewards approve the content of
13 the advertiser. So that's what we're here today to do, to
14 approve this amendment so that you can go forward and you can
15 have a year period in which to try this and see how it works.
16 And it would be the first in the country, to my knowledge,
17 that would be doing this. So any comments?

18 MR. BROAD: Mr. Chairman and members. Barry Broad on
19 behalf of the Jockeys Guild. I know that sometimes in this
20 industry we're addicted to the notion that we're coming up to
21 the next panacea, and we don't have any illusions here that
22 this could work. It could work modestly or it could work in a
23 major way. And it kind of depends on market conditions and
24 how the relationships work out. We do greatly appreciate your
25 consideration of this and your hopeful approval of it. Give
26 us a chance and we'll see if we can make it work. Thank you.

27 MR. TOURTELOT: That's the whole idea is that we would
28 free you of the regulation so that you could then go forward
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01 with an agreement.

02 MR. VAN DE KAMP: John Van de Kamp, TOC.
03 Our Board supports the adoption and supports the idea that it
04 be evaluated after the first full year's worth of experience.

05 MR. TOURTELOT: The Board is not approving or passing
06 on an agreement between the interested parties. We're just
07 giving them the ability to go forward and have that agreement
08 and to implement it. I think there might have been some
09 confusion in the past about that. That's really not our
10 jurisdiction and responsibility.

11 Any questions or discussions from any of the Board

12 members?

13 Then the chair will entertain a motion to approve
14 the amendment to CHRB Rule 1691.

15 (Motion was unanimously carried)

16 MR. TOURTELOT: Congratulations. And I hope it works
17 out. Anyway number 7 would be a report by the California
18 marketing committee.

19 MS. MORETTI: Mr. Chairman, since I have requested that
20 this be on the agenda this month, let me just preface it. I
21 think now that we have a full complement of the Board, the
22 last -- last year when the marketing committee gave a report,
23 I think there were only a couple of us here that were on the
24 Board then. So I wanted to do it in that light in terms of
25 educating the new Board what the marketing is all about. So
26 if you could start off, Jack, by giving us a little bit of the
27 origin, how it started and the fact that it's a body with a
28 specified -- what is it, 6, 7 million dollars, that and also

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01 sunsets, and explain that to the Board, I'd appreciate it.

02 MR. LIEBAU: My name is Jack Liebau. I'm the chairman
03 of the California Marketing Committee. The California
04 Marketing Committee consists of six members, two from the
05 track, one from the north, one from the south, two people from
06 the fairs, and two members from the horsemen; so one-third,
07 one-third, one-third. The origin of it is that prior to the
08 enactment of the law, the promotional funds were distributed
09 differently in the northern zone than in the central and
10 southern zone.

11 In the northern zone, the money went to the
12 individual satellites for expenditure by them. And one of the
13 problems perceived was that there wasn't really enough
14 funding for each individual satellite for them to have an
15 impact on that particular market. In the south, the money was
16 distributed to the tracks and the tracks used the money to
17 have a unified program to support the marketing efforts of the
18 individual satellites.

19 As is often the case in racing, even though we
20 were diametrically opposed to ways of distributing the funds,
21 people in the north weren't happy and people in the south
22 weren't happy -- and out of that came the idea that there
23 would be a statewide marketing committee. It generates about
24 six million dollars that's distributed.

25 The main marketing media that's used is that of
26 the NTRA, although there are exceptions to that. The basic
27 money is divided between super charging big days at the track,
28 the underlying thought being that it's -- in order to capture

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01 a racing fan it's easier to do it with a live experience than
02 with an off-track experience. Notwithstanding that, there are
03 awareness programs that are run. These are commercials, T.V.,
04 radio, or whatever throughout the year to support the
05 marketing efforts at the individual satellites.

06 Some of the outlying satellites are given X number
07 of dollars, because it's not possible to market to an outlying
08 satellite, for instance Anderson or Eureka, in a statewide
09 program, so there's money that's distributed to them. On the
10 fair circuit there is what we call fair trials, where X number

11 of dollars is given to each fair to run a promotion on a
12 particular day to attract fans to the racing. And the idea
13 here is to try to move people from the ferris wheels to the
14 racetrack.

15 One of the main objectives to begin with was that
16 we wanted to do some database marketing or direct mail. We
17 thought that would be the most economic way of advertising the
18 racing on a statewide basis. And initially the effort was
19 going to be to develop a database. As time went on, we not
20 only have done this database, but are in the process of doing
21 wagering -- tracking wagering by individual customers and
22 rewarding them through point systems and premiums. It's sort
23 of like a frequent flyer program.

24 I am having Shannon McDonald, who is our staff
25 member, distribute to you an executive summary that is --
26 pretty much follows what was previously submitted to the
27 Board. But the major change has been the development of
28 this -- what we call the Golden State Rewards Program. And I
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01 think that's been really our main effort. That's where the
02 growth is. And what I'd like to do today is have T. Patrick
03 Stubbs, who's acted as a consultant to the marketing
04 committee, give you an explanation as to what the Golden State
05 Rewards Program is. And with that I'd like to introduce T.
06 Pat Stubbs.

07 MR. STUBBS: Good morning, Mr. Chairman, fellow
08 commissioners. The California Marketing Committee created the
09 Golden States Rewards Network to reward and recognize its
10 frequent horse racing fans for their loyal patronage of
11 California's race tracks and the satellite wagering facilities
12 throughout the Golden State. This loyal patron program has
13 been rewarding patrons with merchandise, food, wagering
14 vouchers, programs, and other items as well.

15 The CMC's goal is to attract and retain horse
16 racing fans by making horse racing more fun and rewarding for
17 horse players of all types throughout California. To join the
18 Golden State Rewards Network -- and we're going to hand out a
19 couple things here so that you can get an
20 up-close-and-personal feel for this -- the patrons simply fill
21 out an application that looks like this (indicating) and
22 submit it to a customer service representative at any horse
23 racing facility in the state of California. The free
24 membership is immediately activated. And the players can earn
25 one point for every dollar wager, along with an admission
26 bonus.

27 The program is simple to use. The members just
28 swipe their GSRN card through the designated slot in the tote
0044

01 machines before wagering and accumulate points for the prizes.

02 In June of 2000 the California Marketing Committee
03 inaugurated the GSRN pilot program at six race tracks and
04 satellite facilities in California, including the Alameda
05 County Fair, Pleasanton, Golden Gate, Del Mar, Surf Side Race
06 Place, and Bay Meadows.

07 Quantitative and qualitative research was
08 conducted following the pilot. The research showed that the
09 patrons appreciated the customer recognition program and were

10 excited about the prizes that they were receiving. They asked
11 us for some additional things and we responded as well. By
12 the end of the pilot program in November of 2000, 4,024
13 players had enrolled in the Golden State Rewards Network and
14 accumulated more than 12-and-a-half million points. The
15 California Marketing Committee proceeded and began the
16 transition from pilot program to a full-fledged statewide
17 launch, beginning in Southern California, March 2001. Since
18 the Golden State Rewards Network launched in the L.A. basin,
19 the response to the frequent players program has been
20 tremendous.

21 The membership has grown rapidly. And enrollment
22 reports as of this morning show a total of 19,101 members to
23 date. In fact, an average of about 100 new patrons enroll
24 each day. And yesterday was a tremendous day here at Del Mar.
25 We were staying into the evening enrolling new patrons out of
26 both the Turf Club and the grandstands. The total number of
27 redeemable points earned today is 93,274,389 and increasing
28 rapidly.

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01 Those numbers represent roughly five-and-a-half
02 percent of the total attendance at the State of California
03 facilities since April 1. And about 8.2 percent of the handle
04 in the state of California has been awarded points in this
05 program.

06 All of the California racetrack facilities are up
07 and running. Members are earning points at each of those
08 facilities and oftentimes multiple facilities on a single day.
09 It not only rewards patrons statewide, but it also rewards
10 patrons across California's breeds.

11 Through licensing agreements in cooperation with
12 the quarter horsemen, Los Alamitos, and Capitol Harness,
13 patrons can be rewarded at night as well. Since the
14 beginning, your Golden State Rewards Network team has
15 emphasized the need to reach out and communicate not only to
16 the patrons, but to the California horse racing community as
17 well. We continually visit each racing facility throughout
18 the state of California from Anderson down to the border.

19 We continually visit them for training purposes
20 and to discuss how they are using the program to better
21 facilitate customer service and promote horse racing. In
22 fact, tomorrow the Rewards Network will be hosting a marketing
23 conference with marketing representatives and facility
24 managers from all over the state, flying in to sit down and
25 discuss the program for later this year and plans for 2002.

26 It's our goal to continue to provide additional
27 value for participation in the program and in turn to enhance
28 the patron's racing experience. The system provides the

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01 California Marketing Committee and the individual facilities
02 with important demographic data. As you can see in the form
03 there we're asking for demographic data like gender, age. As
04 well, patrons are telling us about their leisure activities
05 which they participate in. This information will become
06 useful in the future for fans of horse racing.

07 The software written by the California Horse
08 Racing Resource Information Management System Program

09 automatically notifies facility managers and their customer
10 representatives when a VIP patron is present in their facility
11 through pages and E-mail. Then the appropriate considerations
12 can be taken to take care of these patrons. In May the
13 California Marketing Committee and the GSRN team added an
14 exciting new incentive to the program: the National
15 Thoroughbred Racing Association's E-mail newsletter. On a
16 monthly basis this NTRA newsletter is now sent out to each of
17 the GSRN members and encouraging their participation in the
18 sport, both in northern California and southern California.

19 It is also used to promote upcoming events and the
20 sale of merchandise and other items at the race tracks. Last
21 month the data store was added to the system. This data store
22 will be used by the CARF facilities mainly for their fair
23 trials. During the fair trials we had the opportunity to
24 gather up the names of those folks that are going from the
25 ferris wheel over to the racetrack. And in the past we
26 haven't fully exploited the use of this information to bring
27 these people back to the racetrack.

28 Now that data can be entered into a central
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01 database that the GSRN is managing and can be used for
02 future promotion of horse racing. With the network in
03 place we also have the opportunity of implementing for the
04 first time a real-time statewide handicapping
05 championship, the Golden State Handicapping Championship,
06 if you will. We'll be talking about this in the future,
07 and sitting down with representatives from racetracks all
08 over the state to talk about where this might take place.
09 But if you can imagine a statewide handicapping
10 championship in which players in Anderson, California can
11 be competing against players at Del Mar for a large purse
12 possibly on one of California's biggest racing days --

13 As another tool to encourage GSRN membership,
14 track and satellite facilities throughout the state are
15 running local market promotions. These local market
16 promotions include drawings and bonus point days, specifically
17 for GSRN members. And I'd like to invite somebody, if you'll
18 allow me, up to tell you a little bit more about local market
19 promotions, and that is CARF facility manager and Surf Side
20 Race Place, Mike Naff (phonetic). Mike, if you're back there
21 somewhere -- I believe Dave Elliott and CARF board member and
22 Cal Expo facility manager are also here. And he can tell you
23 a little bit about how he takes advantage of the information
24 from a northern California point of view.

25 MR. NAFF: Thank you and welcome to Surf Side. First
26 I'd like to thank the CMC for moving the GSRN program forward
27 on a statewide basis and their continuing support, and
28 recognize T. Pat for taking the project from conception to

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01 implementation in such a short period of time and with such an
02 amazing amount of success. As we all know reward programs are
03 just the standard offering of the customer service business
04 these days. And in the 20 years that I was involved --
05 previous to my working here at Surf Side, in the Nevada casino
06 markets it was essential and really considered the most
07 important marketing tool available.

08 It's all about building relationships, loyalty,
09 and as T. Pat mentioned, it has an invaluable database in
10 customer information and provides an effective marketing tool.
11 Some of the results we've seen -- as T. Pat mentioned, we were
12 part of the pilot program that started in June of 2000. We
13 can look back now and take a little bit of a measurement of
14 the impact of our numbers that we've experienced here with our
15 patrons when we initially implemented this in June of 2000
16 until today.

17 And one of the better ways to measure that is in
18 the per capita numbers, in other words, the amount of wagering
19 per patron on a daily basis. When we started this program
20 back in June of 2000 and roughly had about a thousand patrons
21 sign up almost immediately for this program, we saw an
22 immediate jump in close to ten percent for those per capita
23 numbers. Here one year later we've seen that increase another
24 ten percent, in other words, 20 percent over what we were
25 seeing in per capita numbers compared to the startup of this
26 in June of 2000.

27 We've implemented, as T. Pat had mentioned, some
28 sort of value-added programs. We have a second-chance drawing
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01 that we conducted. It works simply like this, when you make a
02 wager with your Golden State Rewards Network card your
03 membership number is printed right on the ticket. What we
04 provide is a drawing drum for patrons if they have nonwinning
05 tickets, and then towards the end of the day, towards the last
06 races of the day, we'll have a second chance drawing, and
07 drawing out one of those numbers and providing those folks
08 with a prize or a \$50 rewards voucher is what we're currently
09 offering. Since we implemented that, we saw a ten percent
10 increase in our per capita handling.

11 So, you know, we really just scratched the surface
12 with this. And we're looking forward -- as T. Pat said --
13 there's an awful lot of exciting things we can do, value added
14 programs for customers.

15 MR. TOURTELOT: Thank you very much.

16 MR. LICHT: I have a question. I know Rick Baker is
17 here. At Hollywood Park they were using the Golden State
18 Rewards for -- turn your ticket into the VIP room to monitor
19 large players, and when they started that there was a near
20 riot there. Literally, people went crazy. They were afraid
21 that they were -- the IRS was going to get access to this
22 information, it was going to monitor wins and losses, it was
23 going to monitor IRS signups, all kinds of things.

24 And I really think -- from what I understand is,
25 all that's untrue, that all you do is monitor the volume of
26 the wagers, not winners, losers, or anything else. And if
27 that's true, I really think that needs to go a long way
28 towards your marketing to tell people that, because people are
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01 afraid of all kinds of things. Because in divorce cases,
02 records are going to be subpoenaed, business transactions, all
03 kinds of things like that.

04 MR. STUBBS: When we launched on this project the first
05 thing we did is we went around the country and took a look at
06 systems that are in place at other facilities, as well as all

07 over the state of Nevada, and requested documentation of their
08 various programs. Interestingly enough, as you might think
09 that even in the state of Nevada that they would be very
10 well-documented programs, most of the programs consisted of
11 the less -- probably 12 rules total is the documentation of
12 what it was in Nevada.

13 This is the documentation of everything on Golden
14 State Rewards Network, from how to use the system to 20 pages
15 of policies as it pertains to the IRS, divorce, death,
16 everything else that might occur in the course of this system.
17 That is a question that continues to come up. We have
18 contacted an accounting firm for an opinion on the subject.
19 When we have that opinion back -- we've also contacted a legal
20 firm for an opinion on it -- when we have that opinion back,
21 we'll go ahead and release it publicly so we can once and for
22 all finally deal with that subject.

23 MR. LICHT: Is it true it just monitors the volume of
24 the bets? There's no way to determine what the bets actually
25 were?

26 MR. STUBBS: It is true. The system awards points to
27 patrons for their wagers in the total of the system. It also
28 awards bonus points on a daily basis to patrons for their

0051 admission. And if a facility such as Hollywood Park, which
02 did a fantastic job in launching the project up in L.A., they
03 were to award double bonus points on specific days as did
04 Santa Anita as well, we would award those points. So what the
05 bank is recording is just the total amount of points. And
06 actually I'm glad -- I'll pass this around for you to take a
07 look.

08 One of the most important things in a system like
09 this is the privacy of our patrons. There are three people in
10 the state of California with full access to the system and --
11 actually there's only one; his name's Dan Higgins (phonetic).
12 He's at CHRIMS up in northern California. The other
13 two individuals that have super user powers, if you will, are
14 myself and Mark Thurman, up at CHRIMS.

15 Now, the report -- that I'll go ahead and
16 circulate so you can take a look at it -- this is from one of
17 our larger players in the system. And when you take a look at
18 it you'll see what I mean by that. But at the bottom of the
19 report basically it shows total points earned, total points
20 redeemed, the per capita, and the total number of times that
21 they came to the track. That's it. The per capita is derived
22 from the admission bonus divided by -- dividing the admission
23 bonus into the total wager.

24 MR. LICHT: It seems like something that we could use
25 for security purposes too. In other words, if my number is
26 printed on when I purchase a pick six ticket and someone else
27 cashes that ticket in, that's something I would imagine Mike
28 and you guys could use for security purposes.

0052 MR. STUBBS: Absolutely. In fact, on one of the first
02 days of the program, two interesting things happened. Number
03 one, within an hour of the program being launched at the
04 Alameda County Fair at Pleasanton, a gentleman there used his
05 card at Pleasanton -- who's a delivery driver -- drove up to

06 have lunch a couple hours later at Golden Gate and ended up
07 having dinner over at Bay Meadows and used his card at each
08 location. As he was traveling along, he lost one of his
09 vouchers. And he wasn't sure where he lost it. So he asked a
10 customer service agent, "you know, I just joined this program.
11 Is there any way this program might help find my voucher, and
12 we can take care of it?"

13 We went into the tote room, pulled his member
14 number up, found where the voucher had been lost, and were
15 able to kill the voucher so that nobody else was able to use
16 that voucher, and reissue it. This program is all about
17 customer service. The more we can make the customer happy on
18 situations like that, providing them additional services and
19 security, we'll continue to build it into the program.

20 MR. HARRIS: I was interested in that per capita
21 number that you said was up 20 percent. Is that of the
22 members or your total facility was up?

23 MR. STUBBS: That's a total facility number, obviously
24 impacted by the members that are in the program. Currently
25 we're running at -- on some days close to 40 percent of our
26 handle is rewarded through that program.

27 MR. HARRIS: Why would a person not want to be a
28 member, assuming it would be higher than that at satellite?
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01 MR. STUBBS: Well, I think there's always a little
02 apprehension to a new product. And Mr. Licht made some
03 mention as to some fears that frankly are unfounded. Again,
04 in Nevada when we initially started up a player tracking
05 program in 1991, we had a rather -- what I thought was dismal
06 startup, about ten percent of our players first year. By the
07 time I left the Lake Tahoe area our total player track handle
08 approached 70 percent. So it's something that people I think
09 tend to get warmed up to. And the best salesmen are the
10 players themselves.

11 MR. HARRIS: So on marketing it to new players, is this
12 strictly done at the track or is there a way to market it to
13 people who are not at the track?

14 MR. STUBBS: We have an existing list of names that we
15 mailed to a previous admissions system and so we used that
16 pretty effectively in trying to draw memberships as well as
17 incenting signups through promotional on a large basis like
18 the Kentucky Derby days and Preakness and so on.

19 UNIDENTIFIED SPEAKER: To address that as well, a new
20 part of the system that was just implemented here for the
21 Del Mar race yesterday -- it's been our concept all along that
22 one card rewards you statewide. I personally don't like to
23 have a big thick wallet full of cards and membership cards
24 from everywhere. And so because of that we thought about turf
25 club members at various race tracks and people that carry
26 around credentials.

27 We have designed into the system now the ability
28 to enroll new patrons, when they would like to be, by just
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01 simply scanning -- whether it's their Del Mar Turf Club card
02 or Santa Anita Turf Club card or the Hollywood Park or Bay
03 Meadows, or Golden Gate Turf Club cards into the system. And
04 the bug sits on the back of the program -- on the back of the

05 cards like as on an ATM card to tell them that they can use
06 the system if they want to.

07 Yesterday at Del Mar -- we're waiting for the
08 numbers to come back -- but we did have quite a few turf club
09 members, brand new signups into the system by -- opting into
10 the system by scanning their turf club cards into the tote
11 machines. So that's one of many ways. We've also used E-mail
12 marketing. And coming out of the meetings tomorrow, we'll
13 probably launch into more of a direct mail marketing campaign
14 to model players to bring out to the racetrack.

15 MR. TOURTELOT: Where do you put the card, right into
16 the tote machine?

17 UNIDENTIFIED SPEAKER: Right into the tote machine. On
18 the right side of the tote machine there's a little slot there
19 and on the left side you put your bet slip and on the left
20 side you slip your card. There's no reason to ever hand it to
21 anybody else; the patron can do it all themselves.

22 MR. TOURTELOT: Did they have to modify the tote
23 machines for that or was the slot already there?

24 UNIDENTIFIED SPEAKER: The slot was always there and
25 for years it just wasn't used. In fact, the biggest problem
26 we ran into when we launched here at Del Mar last year on
27 opening day -- I'm surprised Joe still has me around -- is
28 that a lot of the cards, when we slid them in the machine
0055 everything was all dusty, and so it wasn't reading anything.
02 So we've taken care of that.

03 MR. LANDSBURG: What is your numbers in terms of the
04 number of players you can handle administratively before the
05 system overloads the process?

06 UNIDENTIFIED SPEAKER: The database system -- as far as
07 overloading the database --

08 MR. LANDSBURG: Just the administration of it.
09 Obviously you have to send people out to get information back;
10 that's what I'm worried about.

11 UNIDENTIFIED SPEAKER: When we originally did the pilot
12 program and then wrote up the proposal for the full-scale
13 launch, the assumptions that were made were 40 percent of
14 handle in the state of California.

15 MR. LANDSBURG: I just meant number. You have
16 somewhere near 20,000 now that are members of the program.
17 Where does that go?

18 UNIDENTIFIED SPEAKER: We will continue to go up as
19 high --

20 MR. LANDSBURG: I would hope so.

21 UNIDENTIFIED SPEAKER: As many patrons in the state of
22 California that want to sign up for the system, the system has
23 been built to handle as many patrons as possible. And, in
24 fact, we've been contacted by other jurisdictions for them to
25 get involved with the network. So we can go as large as
26 possible.

27 MR. LANDSBURG: Then will there be outreach -- the last
28 part of that question, to the non-fan -- to use this as a base
0056 to bring in the so-called non-fan.

02 UNIDENTIFIED SPEAKER: Once we have a large enough
03 database in place where we can take a look at the lifestyles

04 and the demographics of the patrons that are currently coming
05 to the track, and then we can go ahead and model those folks
06 and reach out to new people. One of the interesting things
07 is, and I'm sure this isn't a shock, but a large percentage of
08 our people like to do two things. They like casino gambling
09 and they like to watch sports on television. So we're
10 learning more and more about the patrons. Some of them are
11 answering questions that we always knew.

12 MR. HARRIS: On your budget, which is about 2.5
13 million, how many people are you figuring would be in the
14 program at the 2.5 million dollar level?

15 UNIDENTIFIED SPEAKER: That was originally part of the
16 40 percent handle. So we're still growing. We've only been
17 full-scale launched since April 1. So we've got room to grow.
18 And the budget is currently there to handle it.

19 MR. HARRIS: It wasn't really clear. You'll be
20 operating at Capitol -- how do you separate on that budget?

21 UNIDENTIFIED SPEAKER: I don't have in front of me the
22 numbers that you're speaking to.

23 MR. HARRIS: I wasn't really sure if a point is earned,
24 then it goes into valet parking or programs or something. How
25 does that money actually change hands? Does the person get a
26 voucher and it allows them to buy a program? Or does the
27 track turn that in and they pay --

28 UNIDENTIFIED SPEAKER: As part of the agreement to
0057 participate in the program, each of the facilities throughout
01 the state, there are certain soft costs and there are certain
02 hard costs. Valet parking and admission and things of that
03 nature would be considered a soft cost. Those costs would be
04 absorbed by the individual facility such as Surf Side Race
05 Place or Cal Expo or Del Mar as their form of payment for
06 participating in the program. The additional hard costs would
07 be something along the lines of merchandise or food and
08 beverage or wagering vouchers.

09 MS. MORETTI: Pat, could you reiterate about what you
10 said about tracking the fair patron, because that to me is
11 something obviously transforms from this discussion into our
12 discussion in the fact that I've had with other people who
13 were in the audience in terms of, you know, we say that the
14 fair is where we generate a lot of new fans to the racetracks.
15 How are you going to track that? I heard you say it, but I
16 didn't quite understand it.

17 MR. STUBBS: The CARF facilities have been tremendous
18 in putting this entire project together. And as we were
19 reaching out to them and asking them what can we do for you,
20 what are you currently doing, and how can we make what you do
21 better, one of the things that came up was the fair trials at
22 which we were gathering names and possibly some demographic
23 material from these people that are going from the fairs to
24 the racetrack. But that information, once it was being
25 gathered, wasn't necessarily always being utilized for
26 promotional purposes later on in the year. And once we have a
27 customer's name and we know they've been to the racetrack, why
28

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01 not send them a letter saying "Hey, hope you had a great day
02 at the races; come on back for another great day. We're going

03 to be open this weekend with all these great races."

04 What we designed into the system now is a data
05 store whereby all of that information can be input into the
06 system. And from that location the fairs can generate
07 letters, send E-mails directly from the machine out to those
08 patrons, reach out to them and invite them back into their
09 racing facilities.

10 Hollywood Park actually did a fantastic job of
11 taking advantage of this tool during their race meet. Every
12 time they had a pick six carry over come up, the E-mail data
13 store is right there. They can go in and input the
14 information and say, "Big pick six carry over this July; come
15 out to any racing facility in the state of California where
16 you can play it." They would send that E-mail out to notify
17 folks that might miss it in the newspaper that there was a big
18 pick six carry over.

19 MS. GRANZELLA: Even the tracks that get together for
20 special promotions, like double points, you know.

21 MR. STUBBS: We have implemented double point programs
22 at Hollywood Park, Santa Anita, and I believe -- if we haven't
23 already implemented it up in northern California I know it's
24 on the agenda. At Bay Meadows they gave away T-shirts. At
25 one point along with their people that had cards last week --
26 I believe, down here at Surf Side, as they were closing up
27 their race meet, the GSRN folks received cards. And I didn't
28 hear Dave's voice back there, but Dave Elliott up at Cal Expo
0059

01 has done a tremendous job with his patrons.

02 The system -- Dave had a program in place whereby
03 he would award parking passes for the fairs to his best
04 players. And one of the best things about this system is you
05 really find out who the best players are. And those folks
06 that are yelling in your face a lot of the time weren't really
07 the best players, just the ones with the loudest voice. And
08 what Dave has found out is he has been able to identify new
09 players that were out in his room that they didn't necessarily
10 know were in the room. A lot of these players do play
11 self-service and when they don't go to a mutual teller we
12 don't know who they are; therefore we can't take care of them
13 and continue to keep them here in the state of California.

14 MS. GRANZELLA: Have you seen a significant increase in
15 the tenants?

16 MR. STUBBS: Do you want to answer that for Surf Side?

17 MR. ZIEGLER: The few times we've held promotions --
18 particularly we had it one year not long ago where we were
19 giving away T-shirts to members and also to the folks that
20 were interested in signing up. You know, our typical
21 attendance on the weekend would be say 1200, 1300 people, and
22 on that particular day we had close to 1800. So it's
23 significant.

24 MS. GRANZELLA: But did they come and bet or did they
25 just come and pick up the T-shirt?

26 MR. ZIEGLER: You know, I think that we haven't seen
27 them just go through turnstiles to just try and get T-shirts.
28 Basically the benefit for them is to sign up with the Golden
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01 State Rewards Network card. On that particular day it was a

02 good handle day and typically you see the cap drop on days --

03 MR. HARRIS: How is Surf Side doing this year?

04 MR. ZIEGLER: Our attendance numbers are slightly down,
05 but our handle numbers are up, you know, a small percentage.

06 MS. MORETTI: Do you have something else to say? In
07 terms of the -- maybe you could clarify, Jack, the sunset --
08 the budget for this committee and how long will this budget
09 continue to fund this program because --

10 MR. VAN DE KAMP: This is John Van de Kamp. I'm
11 vice-chair of the committee working with Jack and the other
12 members. The law sunsets July 1 of next year. And we have a
13 bill that's in the state legislature right now that will
14 extend it for a number of years beyond that. And we hope that
15 will get out and get signed by the governor so we can continue
16 on.

17 I was just going to add -- I know Dave can tell
18 you more anecdotally about how the program works. I think
19 those of us on the committee think it's the most successful
20 thing that we've done. We're catching up with the rest of the
21 world on this kind of thing. And we are now -- I think
22 California can say in the racing industry that it has led the
23 way with this kind of a program. And this kind of program
24 that T. Pat just described is being sought throughout the
25 racing world and the United States, and will be passing on
26 through license agreements our technology to other states, and
27 for which I think we'll get some fair reimbursement that will
28 going back into this program.

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01 And Jack was just saying CREMS has put together
02 the software for this program and has been a very important
03 part of it and that, of course, is another very important
04 segment of the California horse racing industry that
05 Mark Thurman has headed.

06 MR. TOURTELOT: I think it's really exciting what
07 you're doing. It's interesting on the race date committee
08 last -- I don't know a month ago, a person I'm not going to
09 identify got up who was new to racing, but has somewhat of a
10 managerial background and kind of took us all to task, saying
11 what we really need to do in California is to develop a plan
12 -- a business plan, going on and on about what we ought to do
13 with respect to our -- and I picked myself up off the floor
14 and decided what to say without embarrassing the person too
15 much, because we have the NTRA, we have a tremendous job being
16 done by Jack and his committee on the California Marketing
17 Committee with promotions of the tracks, like Del Mar, Santa
18 Anita. I thought it incredulous that we would be admonished
19 for not having a, quote, business plan for marketing.

20 So you're doing a great job and it's going to
21 show. You already told us about the statistics. I think
22 they're only going to get better.

23 MR. HARRIS: On the plan, this is like a 6 or 7 million
24 dollar a year -- do I understand there's some check-off money
25 that's going to NTRA for both the horsemen and some of the
26 tracks. Can you quantify how much money is going to NTRA for
27 their promotion?

28 UNIDENTIFIED SPEAKER: Yes. I can speak for the TOC

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01 and the amount of money. We put in approximately a million
02 and a half, from the horsemen about a million and a half, from
03 the tracks combined that goes to the NTRA. And I serve now on
04 the Board of the NTRA representing the horsemen of the west.
05 And they were here just this last Sunday with the press
06 conference at Hollywood Park that I think some people in this
07 room attended about some of the things that they're doing
08 nationally.

09 And I think it's fair to say things are smoothing
10 out on the NTRA front. And we're going to see a lot more
11 national television on horse racing certainly this year than
12 we did three or four years ago. And their program seems to be
13 moving ahead pretty well, especially since they've combined
14 with the Breeder's Cup.

15 MR. TOURTELOT: And their new commercials are a
16 tremendous improvement over the original ones.

17 MR. ELLIOTT: Dave Elliott, California State Fair. I
18 just wanted to add, the tireless efforts of T. Pat and the CMC
19 and the CREMS staff -- I saw a few of them here. We
20 implemented the program around the first of May; the northern
21 sites they just had to do it when they did it. And this
22 program has been real beneficial to us. In years past without
23 this program we had a hard copy frequent player card that we
24 issued when Stockton began and people punched it out. And
25 they had to sign out and this and that. And what that did is
26 they got a free pass to the California State Fair and a free
27 parking pass during our live meet.

28 Now with the Golden State Rewards card, that was
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01 our push to get people to sign up. "Look, if you want your
02 free fair pass this year you have to sign up for this card."
03 And they're using it every day. And like Pat said also it
04 helps better be able to identify who our better players are.
05 And those better players obviously will get better rewards
06 during the live state fair. So all in all the program has
07 been very successful with us as well.

08 MR. HARRIS: On the other part of the programs --
09 you're focusing a lot on the Golden States Rewards Program,
10 but on the other parts is there some way you're evaluating the
11 effectiveness of those dollars being spent on the --

12 MR. LIEBAU: Jack Liebau. Like everything else, 50
13 percent might be working, but I don't know if we know which 50
14 percent. Yes, we are trying to evaluate that the best we can.
15 And I think at some point in time there are going to have to
16 be some hard decisions made as far as allocation of dollars.
17 And I would assume frankly from my own perspective if the
18 Golden State Rewards program continues to grow that we're
19 going to have to allocate more money to it. And since we
20 really only have a finite amount at this time there's going to
21 have to be some parts reduced or deleted. So that's an
22 ongoing pass that the committee has.

23 I'd just like to say in conclusion that I've
24 been -- this program has far exceeded my expectations. And as
25 Greg and I and the other directors and members of the
26 committee -- it's hard to believe that we were involved in
27 anything that became this successful. And I have to attribute
28 it entirely to T. Pat and -- collectively, to T. Pat, and a

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01 lot of credit goes to Shannon McDonald, who is unbelievably
02 efficient at keeping after those of us that let things lapse
03 from time to time.

04 And also I think that this is a homegrown system
05 and that's what was touched on. And when we started out we
06 looked at several other programs with a similar nature and we
07 decided that we would go with CHRIMS. And frankly, it's
08 unbelievable. As far as the software is concerned, we just
09 haven't had any glitches. And it's just worked out
10 marvelously. And for that reason a lot of credit has to go to
11 T. Pat and CHRIMS and everybody else that was involved in it.
12 And I know that -- at least speaking for three members of the
13 committee -- Mr. Van de Kamp, myself -- I think that none of
14 the success goes to us. Thank you.

15 MR. TOURTELOT: Thank you, Jack. And thank all the
16 others. We all look forward to watching it grow in the
17 future. We have to move on now. The next item will be the
18 discussion and action by the Board on the request of the Bay
19 Meadows Operating Company -- we're going to take a five-minute
20 break, and then we'll reconvene.

21 (Recess)

22 MR. TOURTELOT: The next item is the discussion and
23 action by the Board on the request of the Bay Meadows
24 Operating Company to distribute charity race proceeds in the
25 amount of \$40,599 to 12 beneficiaries.

26 MS. REAGAN: Commissioners, John Reagan, CHRB staff.
27 This is the semi-annual request from Bay Meadows to distribute
28 the money to the beneficiaries to check out with more than 88

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01 percent of these dollars contributed to horse racing
02 charities. We recommend approval.

03 MR. TOURTELOT: Any questions? The chair will
04 entertain a motion.

05 MR. HARRIS: I move we approve.

06 (Motion was unanimously carried)

07 MR. LANDSBURG: We salute them for 88 percent going to
08 horseman's charities.

09 MR. TOURTELOT: Bay Meadows has always been in the
10 forefront of the highest percent of what was required. And
11 after Mr. Liebau -- you took over from the other people, we've
12 had such a great responsesince then.

13 MR. HARRIS: That litigation is still pending.

14 MR. LIEBAU: Yes, that's the case, although I spent
15 three hours in deposition because they're suing us again. And
16 this frankly was sort of a carryover that I inherited in 1992
17 from something that Doris Johnson had established at Bay
18 Meadows and it has been a terrible burden.

19 MR. LANDSBURG: Ms. Johnson happens to be in the audience.

20 MR. TOURTELOT: I see Ms. Johnson. Thank you. I
21 appreciate Commissioner Landsburg for pointing that out.

22 The next and last item on the agenda before we get
23 to other business is a staff report on the San Joaquin County
24 Fair in Stockton, June 13 through June 24, 2001.

25 MR. REAGAN: Yes, commissioners. This is our
26 end of meet report. And we did hurry this up and make this
27 agenda for a couple of reasons. We wanted to show, first of

28 all, the handle and the difference is there. But also there's
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01 been a lot of discussion about the average field size, and we
02 wanted to get the first fair to you so we could kind of see
03 how it's going. And there was a slight decrease, .2 horses
04 average start per event, but not really significant, I
05 wouldn't think. But overall that's why we have this report
06 here today. And if you have any other questions or concerns
07 we'll try to answer those.
08 MR. TOURTELOT: Mr. Harris?
09 MR. HARRIS: Actually it is refreshing to see a live
10 handle. This might be the first meet in California this year
11 that had an up ticket live handle.
12 MR. TOURTELOT: Any other questions? All right. The
13 next will be a report from the Race Dates Committee Chairman,
14 which is me. And the report is that we had a meeting and we
15 put out a press release regarding the meeting asking everybody
16 to get together to try to resolve some of the issues that
17 confront us. And I'm not optimistic that's been done. In any
18 event, we'll have another meeting tomorrow and then following
19 that meeting the race committee will make a recommendation to
20 the full Board for race dates for the 2002.
21 Whatever we do, it's not going to satisfy
22 everybody. And as Commissioner Harris said, if everybody
23 hates it that means it's pretty good. So we have to do the
24 best we can. I'd love to give you all the dates you want, but
25 there's only seven days in a week. And trying to fit 10
26 things with two days each into seven days doesn't work. But
27 we'll try to give everybody a little bit.
28 Somebody asked me yesterday why are you having the
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01 race dates committee after the Board meeting, assuming we were
02 going to pass on the race dates for 2002 today, but that would
03 be a big mistake. I don't think we'd have too many people
04 there. In any event, we're going to vote on it in August.
05 We're going to make recommendations to the full board in the
06 August meeting.
07 Next item is general business, communications,
08 reports, requests for future action of the Board.
09 MR. BAKER: My name is Wayne Baker and I'm the
10 president of the San Luis Rey Downs Horsemen's Association.
11 I'm here today to request your assistance in looking --
12 MR. TOURTELOT: Could you speak a little louder.
13 MR. BAKER: I'm here today to request your assistance
14 in looking into our situation at San Luis Rey Downs. On July
15 16th we were told by Magna that our stall rent would be
16 increasing by 50 percent. I'm sure you understand what this
17 will do to our horsemen. Any help or any advice you could
18 give us would be greatly appreciated. Thank you.
19 MR. TOURTELOT: What is the problem with the stalls?
20 MR. BAKER: They're going to raise the rent 50 percent.
21 MR. TOURTELOT: 60?
22 MR. BAKER: 50 percent, from \$8 a day to \$12 a day.
23 MR. TOURTELOT: That's Magna?
24 MR. LANDSBURG: Magna.
25 MR. LIEBAU: Jack Liebau. Yes, for a number of years
26 the San Luis Rey horsemen have requested a subsidy, which has

27 not been forthcoming. Although SCOTWINC does pay a
28 starter's allowance -- or starter's payment to those that
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01 start out of San Luis Rey Downs, we lose, Magna has been
02 losing over \$750,000 a year. The books are open to the CHRB
03 and any other public member that has an interest and wants to
04 review the books. But we simply cannot continue to lose
05 \$750,000. I don't think the rent has been raised since 1992
06 or 1996.
07 MR. TOURTELOT: How many stalls do you have?
08 MR. LIEBAU: We have 525 stalls available. We have had
09 a certain influx of horses because of Del Mar and for that
10 reason the rent is not going to be raised until September 1st,
11 so that it won't hurt those people that have moved in for the
12 Del Mar meet. If our horse population is not sufficient, the
13 economics simply compel us to close the site. But we simply
14 cannot continue to carry this burden of \$750,000 loss a year.
15 We think the facility is a benefit to all of the industry in
16 California, certainly to Southern California, but it's just
17 unrealistic to think that burden would be assumed by Magna.
18 MR. TOURTELOT: How much is the increase, not the
19 percentage, but the actual increase over what they're paying
20 down?
21 MR. LIEBAU: It goes from \$8 to \$12 and --
22 MR. TOURTELOT: \$4 times 12 is what? Well, that's not
23 going to get you anywhere near --
24 MR. LIEBAU: Well, that's a day, Mr. Chair.
25 MR. TOURTELOT: That's going to cover the 750,000?
26 MR. LIEBAU: We hope to get there. Frankly, my --
27 MR. TOURTELOT: I didn't think it was per year.
28 MR. LIEBAU: -- direction was to simply close the
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01 thing. I thought if I could raise the rent and come closer to
02 breaking even --
03 MR. TOURTELOT: When you guys bought it you knew the
04 numbers. I find that --
05 MR. LIEBAU: Well, you know, first of all the property
06 was bought, it's no secret, for somewhere between 6 or 7
07 million dollars and could be developed at any point in time
08 for 12 million. If this was just a pure case of economic
09 greed or corporate greed as sometimes we're accused of, we
10 would just close it and develop it. We hope that it'll
11 continue at -- you know, to be open at \$12. And since I have
12 about 30 horses there, it's as much a burden on me as anybody
13 else.
14 MR. HARRIS: I think there was a program where horses
15 are paid to start?
16 MR. LIEBAU: Yes, there is. I think John could
17 comment, but I think it's 400 and something for the first
18 start and 200 and something thereafter.
19 MR. VAN DE KAMP: We're paying somewhere around
20 \$300,000 a year out of the fund for starters. And I think
21 we're now up to -- my numbers may be a little bit off -- I
22 think it's \$600 for the first start and 450 thereafter. And
23 when the Del Mar meeting hit, we had a meeting last week and
24 it became apparent that the stabling here was going to be
25 overloaded and they're going to have to divert some horses.

26 And so they had an increase. We're up to 445 according to
27 what I heard this morning and up to 525 at San Luis Rey. And
28 we made it clear that the starter's fee would be made

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01 available to those horses just moving in as long as they were
02 stabled there at least ten consecutive days, whether it was
03 before or after that start, to try to make it easier on those
04 who moved in.

05 We're working, I think -- I talked to Brent
06 Lauder (phonetic) this morning, who went down and I think
07 gave the bad news to the trainers at San Luis Rey on the
08 16th as Mr. Baker has reported. I started to get telephone
09 calls and a little bit of panic. The good news I think at
10 least tentatively is that they're talking about not August
11 1st, as was reported to me by some of the trainers and people
12 from San Luis Rey, but September 1st, and they're looking to
13 see if there are any ways they can cut costs.

14 And I've asked Mr. Carwacki at SCOTWINC to
15 give us a review of all of the costs we've incurred to try to
16 help the program to see if there's anything that can be done
17 to minimize this whole business. And I hope in the next three
18 or four weeks that we might be able to do that. But going
19 back into history, one -- some of you who were there, I'm not
20 sure anybody on this Board was there when this occurred,
21 although Alan I know was on the board at TOC -- at one time
22 Scott was paying \$600,000 a year.

23 MR. TOURTELOT: I was here before TOC became into
24 existence.

25 MR. VAN DE KAMP: Okay. So you were around when
26 that was going on. The problem was that very few horses were
27 being sent actually to start. It was less than two a day.
28 Fairplex was averaging two to three times that. And so it was

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01 believed that a starter's fee to get horses to participate in
02 racing programs was the best way to go. So we were able to
03 cut that \$600,000 a year, which is paid for by the tracks and
04 by the horsemen out of the purses. So it was cut in half
05 basically, freeing up some money for purses as well as for the
06 tracks. So all I can say is, in concluding this this morning,
07 and I hope Mr. Baker takes this back, we're looking at it to
08 see what can be done. I would not like to see that facility
09 closed, because I know a lot of horsemen down here are
10 dependent on it. On the other hand, there's a lot of stabling
11 at Hollywood and Santa Anita that does not get used. And that
12 is always a concern. We'd like to see horses out of San Luis
13 Rey running more often than they are.

14 MR. TOURTELOT: John, could you give us a report at the
15 next meeting what you find out?

16 MR. VAN DE KAMP: I'd be happy to. I think one
17 thing I'd like to point out is that historically San Luis Rey
18 Downs has been a facility that has been used by two-year-olds
19 with great regularity. Some of your biggest owners in
20 California have all their two-year-olds at San Luis Rey Downs
21 and then go on to various other tracks. As far as cutting
22 expenses, believe me, we've been trying to cut expenses. I
23 would also point out that there's another facility close by
24 that has for a number of years charged \$10 a day. So the \$8

25 -- I think it's really unfair for anybody to point fingers at
26 Magna for doing this, because it's been going on for longer
27 than it should have. And we just simply can't continue to
28 incur this burden of \$750,000 a year. It just doesn't make

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01 any sense.

02 MR. TOURTELOT: Mr. Baker.

03 MR. BAKER: I'd just like to say that we're not
04 pointing fingers at Magna. What we're doing is trying to
05 attempt to get sole subsidy. And also I think it's incorrect
06 to say that Fairplex starts two to three times more horses
07 than we do, because I've been keeping track of it this year
08 and that's not true. And if they count the horses that run
09 from the fair meet there, then they probably do start more
10 than us, because they have 18 days of racing with all those
11 horses racing at 12 to 13 races a day. But if you don't count
12 those you'll find we have equal if not more starters at San
13 Luis Rey Downs.

14 MR. TOURTELOT: Thank you. Is there a possibility,
15 Jack, that if the TOC and you all are looking into the
16 expenses and find that you can shave some expenses in other
17 areas that you may not go the full 50 percent increase -- I
18 mean, Scott Wayne.

19 MR. WAYNE: Scott Wayne. I think the position of Magna
20 is we feel that we should be treated the same as Pomona is and
21 that's always been the position. I think when we talk about
22 the, you know, what has happened in the past there's always
23 been controversy as to whether San Luis Rey Downs should be
24 subsidized. And at one point in time there was -- I think
25 Mr. Reagan can speak to this -- some confusion as to the law
26 whether a facility that wasn't owned by a racetrack was
27 eligible for a subsidy or not. And then there was a kind of
28 stretch of a ruling by the Horse Racing Board staff that it

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01 was -- and there was this \$600,000 and there was this period
02 that nothing was paid. And then there was a starter fee.

03 And the law had be amended so as to cover any
04 facility, didn't have to be owned by a racetrack, it now
05 happens to be owned by a racetrack so it qualifies under
06 the new law, but it would also qualify under the law prior
07 to that. And this is just a burden that we cannot sustain
08 economically any longer. So the \$12 looks like it would
09 come close to breaking us even. I'm a little skeptical as
10 to whether we'll be able to maintain sufficient horse
11 population, although yesterday we were advised that one of
12 the leading owners in California is moving 12 to 15 horses
13 in, notwithstanding the fact that the rent has been
14 raised.

15 MR. TOURTELOT: Mr. Baker --

16 MR. LANDSBURG: May I ask a question? Is there some
17 way, Jack, that we can with the staggering of both
18 information -- I was part of the group that had -- at TOC that
19 had voted against continuing the subsidies.

20 MR. LIEBAU: As did other tracks. You weren't alone.

21 MR. LANDSBURG: But in looking at it and in seeing 200
22 or more horses down there, most of them two years old, who
23 will eventually be coming to racing, and trying to find some

24 way -- some mechanism within the rules that we can offset some
25 of your losses -- perhaps there is a way if we all work
26 together in the next month that you could hold off on the
27 raise until we at least have a definition for the raise.

28 MR. WAYNE: We have said that the raise will not be
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01 effective until September 1st. And I must say this is not
02 news to the people of San Luis Rey Downs. It has been
03 rumored, I'm sure, and Mr. Baker could confirm, for a number
04 of months that the rent was going to be raised. And frankly,
05 it's my fault that it hadn't been done earlier. But we have,
06 you know, given at least a month-and-a-half notice of the
07 raise and did that in deference to the people who moved in
08 from Del Mar. But we certainly are willing to work with
09 anybody. There's no question about that. I would rather have
10 the facility -- I have a personal interest in having the
11 facility open.

12 MR. HARRIS: I think there is concern too among the
13 farm sectors and lay-up sectors that are operating privately
14 absent any kind of subsidies, that we not really subsidize
15 somebody that's competing with, you know --

16 MR. LANDSBURG: I don't disagree, John, but none of the
17 farms are operating at the level apparently that San Luis Rey
18 is.

19 MR. BAKER: Can I say that San Luis Rey Downs is a
20 California Horse Racing Board licensed facility. It's not a
21 farm.

22 MR. TOURTELOT: I would think that with the three
23 tracks in California, Jack, that Magna would have a strong
24 interest in keeping this facility going. You have
25 two-year-olds out there.

26 UNIDENTIFIED SPEAKER: One of the strange things -- and
27 there may have been some recalculation -- but I had offered at
28 least the potential of having San Luis Rey funded this summer

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01 during the Del Mar meeting. If indeed we could limit the
02 number of horses that would be here at Del Mar, that is that
03 they could handle enough surplus to reduce the number of
04 horses on track here, it would reduce the amount of horses
05 that would be training on the main track here in the morning.

06 I think because of the existing number of horses
07 that are already stabled at San Luis Rey that was turned down.
08 But as I think back on that, the amount of money that would
09 have been provided for that would have done just about
10 everything that they needed, I think, to break even, but they
11 had reached their own conclusion on that.

12 MR. LIEBAU: That's really unfair. We are staying open
13 through Del Mar. There's no question. There was never any
14 discussion about subsidizing subsequent to Del Mar. We are
15 staying open through Del Mar. And we are going to provide as
16 good facility as we have in the past. And we are doing that
17 in deference to Del Mar for the good of the industry. We've
18 given a month-and-a-half notice. We aren't asking to make
19 money on this facility. There's a six-million-dollar
20 investment there that we're willing to break even on for the
21 good of the industry. The Board is more than welcome to come
22 in and audit our books. There's no question about it.

23 MR. TOURTELOT: I'm going to cut off the debate on it,
24 unless some of the commissioners protest. We're not going to
25 resolve it today. I would encourage Jack Liebau and
26 Scott Wayne to get together between now and the next meeting
27 to see if there's anything that can be done to shave the 50
28 percent increase. So you're still going to work towards
0076 relieving your losses, but doing it in some other area.
01 MR. LANDSBURG: And perhaps TOC can revisit its
02 position.
03 MR. TOURTELOT: So that's enough of that. We're now
04 moving on to old business. Any issues that are --
05 MR. HARRIS: Just on the general business, I would like
06 to announce that we're planning a medications committee
07 meeting of the -- a medications committee meeting shortly
08 before the August meeting, the day before, probably. So if
09 any of the industry has any issues on medications they'd like
10 to have reviewed, it would be a good time to submit it for our
11 agenda.
12 MR. LANDSBURG: I have just an old piece of business.
13 How is the hospital coming at Bay Meadows for the horses -- I
14 mean Golden Gate?
15 MR. LIEBAU: The hospital at Golden Gate Fields is
16 really in the hands of the veterinarian at Golden Gate Fields
17 to come up with a functional facility. As far as planning is
18 concerned, the site has been picked. The demolition has taken
19 place that's necessary to build the site. And it's just sort
20 of happening.
21 MR. LANDSBURG: It's one of those long riding waves.
22 MR. LIEBAU: Exactly, that sometimes you don't have any
23 control over.
24 MR. TOURTELOT: Any other old business? We're going to
25 adjourn now for purposes of closing the executive session. We
26 will reconvene, but not for the purposes of taking any other
27 testimony. Thank you for coming.
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01 (Hearing adjourned at 12:50 p.m.)
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